

Approved: 3-7-97 _____
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 25, 1997 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Kathy Porter, Legislative Research Department
Mark Burenheide, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Janet Henning, Committee Secretary

Conferees appearing before the committee: Dick Koerth, Assistant Secretary, Wildlife and Parks

Others attending: See attached list

SB 235: Authorization for Department of Wildlife and Parks to exceed expenditure limitations

Dick Koerth, Assistant Secretary, Department of Wildlife and Parks, appeared before Committee members in support of **SB 235 (Attachment 1)**. Committee members were advised that **SB 235** would assist the Kansas Department of Wildlife and Parks in maintaining compliance with federal aid requirements established by the U.S. Fish and Wildlife Service. Assistant Secretary Koerth told Committee members that effective July 1996, the Department of Wildlife and Parks has been conducting monthly programmatic analyses (self-audits) and will use journal voucher corrections to adjust expenditures to appropriately fund programs and administrative costs of the department. These monthly corrections and reports will be provided to the U.S. Fish and Wildlife Service.

After a discussion by Committee members, **Senator Ranson moved to report the bill unfavorably, seconded by Senator Petty. Senator Downey made a substitute motion to table the bill, seconded by Senator Petty. The motion carried on a voice vote.**

SB 277: Creation of wildlife and parks nonrestricted fund

Dick Koerth, Assistant Secretary, Department of Wildlife and Parks, appeared before Committee members in support of **SB 277 (Attachment 2)**. Assistant Secretary Koerth related to Committee members that **SB 277** would allow KDWP to separate restricted and non-restricted funds. Restricted funds were referred to as those required by state and federal law to be used only for wildlife purposes. Non-restricted funds were from magazine sales, trapping licenses, and non-federal grants, gifts and donations.

The Chairman told Committee members that correspondence had been received from Spencer Tomb, Vice-President of Kansas Wildlife Federation, expressing concern for **SB 277**. Mr. Tomb stated the bill needed to be amended to have the unrestricted fund spent proportionally and to have the expenditures reviewed each year. (Attachment 3)

Senator Salisbury moved, Senator Morris, the bill be considered favorable for passage. The motion carried on a roll call vote.

The Chairman reminded Committee members to schedule their Subcommittee meetings for the second half. The Chairman also informed Committee members that Monday, March 10, has been reserved for Subcommittee meetings at 11:00 a.m.

The Chairman adjourned the meeting at 11:58 a.m.

The next meeting is scheduled for February 26, 1997

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 2-25-97

NAME	REPRESENTING
Dick Kewth	KIDWP
Pat Leud	Central Policy Research Foundation
Ken Baker	K. Governmental Consulting
Sharon Patnode	Legislative Post Audit
Janice Nelson Kempel	Senator Morris



STATE OF KANSAS

DEPARTMENT OF WILDLIFE & PARKS

Office of the Secretary
900 SW Jackson, Suite 502
Topeka, KS 66612
913/296-2281 FAX 913/296-6953



TO: Senator Dave Kerr, Chairperson, Committee on Ways and Means

FROM: Steven A. Williams, ^{SAW} Secretary of Wildlife and Parks

SUBJECT: Testimony on SB 235

DATE: February 25, 1997

SB 235 is new legislation which would assist the Kansas Department of Wildlife and Parks (KDWP) in maintaining compliance with federal aid requirements established by the U.S. Fish and Wildlife Service (USFWS). The KDWP has cooperated with the USFWS in developing an accounting procedure which allows the Department to maintain integrity of wildlife funds. By state and federal law, funds deposited into the Wildlife Fee fund must be used only for purposes related to wildlife. In addition, this procedure also allows the Department to appropriately maintain expenditures from the Park Fee Fund and the Boating Fee Fund in accordance with state law.

The provisions of SB 235 were provided for by the 1996 Legislature in SB 95 which contained appropriations for FY 1996 and FY 1997. These provisions allowed the KDWP to correct for diversion of funds in FY 1995 and FY 1996. Attached are copies of letters forwarded to legislative leadership, members of the Senate Ways and Means Committee, and to the Governor explaining how the KDWP corrected for diversion in those fiscal years. The actions taken by KDWP required that the approved expenditure limitation established for the Boat Fee Fund in FY 1996 be exceeded by an amount of \$276,929. The actions taken by KDWP to correct diversion for FY 1995 and FY 1996 could not have been accomplished without the ability to exceed expenditure limitations as established by the 1996 Legislature.

The 1997 Legislature has included the requested legislation as provisos in the FY 1998 appropriation bills, as introduced. The KDWP is requesting that this language be deleted and that SB 235 be passed. The actions required by KDWP to correct for diversion are not a "one-year" or temporary action. The organization of the KDWP with programs for wildlife, parks, and boating will require that similar action to correct for potential diversion be taken each fiscal year. Currently, the KDWP, as required by the USFWS, is correcting for diversion on a monthly basis. It is possible that the cumulative total of these adjustments will require that the KDWP to exceed established expenditure limitations for a given year. Attached to the testimony provided to the Committee is a table which provides an example of the program adjustments required by the USFWS.

If you have any questions, please advise. Thank you for your support.

Senate Ways and Means Committee

Date 2 - 25 - 97

Attachment # 1

DEPARTMENT OF WILDLIFE & PARKS

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MEMORANDUM

To: Senate Ways and Means Committee
 Senate Energy and Natural Resources Committee
 House Appropriations Committee
 House Energy and Natural Resources Committee

From: *Steve Williams*
 Steve Williams, Secretary

Date: August 27, 1996

Subject: FY95 Federal Audit Resolution

The department recently met with representatives of the U.S. Fish and Wildlife Service (USFWS) regarding the Office of Inspector General's audit of FY95 department expenditures. I have enclosed a copy of the accepted resolution of their audit findings. The final audit indicated that during FY95, \$425,188 from our wildlife program was diverted to our parks and boating programs. The department, working with the Division of Budget and the Division of Accounts and Reports, has corrected this amount using a journal voucher adjustment that restored Wildlife Fee Fund monies appropriately from the Park Fee Fund and Boat Fee Fund. Therefore, the department will not be requesting State General Fund appropriation to resolve the FY95 audit.

In addition, we have completed a year end audit for FY96, using the same methodology as approved by the USFWS. This audit indicated a diversion of \$39,076 from the parks program to wildlife and boating programs. The substantial reduction in the amount and the direction of the diversion, resulted from strict financial management and department strategies to avoid past diversion problems. The department has corrected FY96 diversion using a journal voucher adjustment that affects department special revenue funds, again with no request for State General Funds.

Further, the department met the base level fisheries spending necessary to qualify for federal funding for sport fish restoration programs. In addition, the department did not exceed the 75 percent maximum reimbursement rate allowed by the Federal Aid Program. You may recall, the department experienced substantial problems in these areas in previous audit findings.

I am pleased to report that the U.S. Fish and Wildlife Service has accepted our cost accounting and financial management systems as a means to avoid future diversion. Effective July 1996, the department has been conducting monthly programmatic analyses (self-audits) and will use journal

voucher corrections to adjust expenditures to appropriately fund programs and administrative costs of the department. These monthly corrections and reports will be provided to the USFWS for review.

I believe it is appropriate to state that the department has "turned the corner" with respect to past problems involving the diversion of wildlife funds. This development resulted from a better understanding of the factors leading to diversion, improved financial management and cost accounting systems, dedicated and hard working department employees, and a concerted effort to establish a positive relationship with the USFWS. In addition, I want to thank Governor Graves, the Division of Budget, and each of you for your understanding, support, and oversight as the department has worked its way through this complicated problem.

As always, if you have any questions or comments, please do not hesitate to contact me.

encl.

cc: Governor Bill Graves
Wildlife and Parks Commissioners
Gloria Timmer, Division of Budget
Rob Manes, KDWP
Richard Koerth, KDWP



STATE OF KANSAS
DEPARTMENT OF WILDLIFE & PARKS

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September 19, 1996

The Honorable Bill Graves, Governor
State of Kansas
State Capitol Building
Topeka, Kansas 66612

Senator Bud Burke, President of the Senate
Senate Chamber
State Capitol Building
Topeka, Kansas 66612

Representative Tim Shallenburger
Speaker of the House
House of Representatives
State Capitol Building
Topeka, Kansas 66612

Gentlemen:

The Kansas Department of Wildlife and Parks (KDWP) has resolved the issues associated with diversion of wildlife funds to inappropriate uses. The U.S. Fish and Wildlife Service (USFWS) has certified the KDWP as capable of utilizing wildlife funds in an appropriate manner without supervision from the Service. The KDWP will utilize its financial management system to monitor for diversion and make the adjustments if necessary.

In correspondence dated August 27, 1996, I notified members of the Legislature that the KDWP had corrected identified diversion for FY 1995 and FY 1996 by using Department special revenue funds. The reason that the KDWP was able to accomplish the necessary corrections was due to the appropriation language approved by the Governor and the Legislature during the 1996 Session. The appropriation language contained in 1996 Session Senate Bill No. 95 (1996 Session Laws, Chapter 191, Section 44(c)) allowed the KDWP to exceed the established FY 1996 expenditure limitation for the Boating Fee Fund to correct for the diversion of wildlife funds in FY 1995 and the diversion of park funds in FY 1996.

The above-referenced legislation requires the KDWP to notify the Governor and the Legislature of expenditures that exceed established expenditure limitations and were made for the purpose of compensating federal aid program expenditures. For FY 1996, the KDWP exceeded the expenditure limitation established by the 1995 Legislature on the Boating Fee Fund. The

amount of increased expenditures were \$276,929 and were made to correct diversion of wildlife funds, \$263,835, and park funds, \$13,094.

Please accept this notification as compliance with the requirements of Chapter 191, Section 44(c), as contained in the 1996 Session Laws of Kansas. If you require additional information, please advise.

Sincerely,



Steve Williams, Secretary
Kansas Department of Wildlife and Parks

WP\sec44c

EXAMPLE OF FEDERAL AID PROGRAM ADJUSTMENTS

	BUDGET AMOUNT	ACTUAL EXPENDITURES	DIVERSION AMOUNT	"FIX"	
Direct Program Expenses: (88%)					
Wildlife Program	70	65		65	
Parks Program	20	25		25	
Boating Program	10	10		10	
Total	100	100		100	
Indirect or Overhead Expenses: (12%)					
Wildlife Funding	70	70	5	65	-5
Parks Funding	20	20	-5	25	5
Boating Funding	10	10		10	
Total	100	100		100	

FOOTNOTES:

(1) The diversion of funds occurs in indirect or administrative expenses.

(2) The above numbers are not actual but for example only.

February 17, 1997

KANSAS DEPARTMENT OF WILDLIFE AND PARKS DIVERSION REPAYMENTS

I. FY 1989—FY 1992 Audit

The federal audit for the period of FY 1989-92 found that a total of \$1,900,109 was in diversion. The Legislature took the following actions:

FY 1995	Transfer from SGF to Wildlife Fee Fund (WFF)	\$ 802,736
FY 1996	Transfer from SGF to WFF	432,710
FY 1996	SGF appropriation	115,952
FY 1997	Transfer from SGF to WFF	548,711
TOTAL		<u>\$ 1,900,109</u>

II. FY 1993-94 Audit

The federal audit for the period FY 1993-94 found that a total of \$1,669,396 was in diversion. The Governor, in GBA No. 4 (during the 1996 Session), had recommended that the following appropriations be made in FY 1997 to satisfy the first payment (with a similar payment envisioned for FY 1998):

FY 1997	Transfer from SGF to WFF	\$ 720,073
FY 1997	Transfer from Boating Fee Fund to WFF	114,625
TOTAL		<u>\$ 834,698</u>

In his FY 1998 budget recommendations, the Governor recommends a State General Fund appropriation of \$720,073 (and the transfer of \$114,625 from the Boating Fee Fund to the Wildlife Fee Fund) to satisfy the last payment of the FY 1993-94 diversion repayment.

III. FY 1995 Audit

The federal audit for the period FY 1995 found that a total of \$425,188 was in diversion. The Department made adjustments to expenditures from the Wildlife Fee Fund, Park Fee Fund, and the Boating Fee Fund to correct the amount identified as diverted. For FY 1996, expenditures from the Wildlife Fee Fund were reduced by \$425,188, expenditures from the Park

Fee Fund were increased by \$141,436, and expenditures from the Boating Fee Fund were increased by \$283,752. The Department was able to accomplish the necessary adjustments by utilizing appropriation authority approved by the 1996 Legislature which allows the Kansas Department of Wildlife and Parks to exceed established expenditure limitations for purposes of compensating for federal aid requirements. No further expenditure of state funds is required.

IV. FY 1996 Audit

For FY 1996, the Department diverted an amount of \$39,077 from Park Funds to Wildlife and Boating programs. The Department corrected the amount identified as being diverted by reducing expenditures from the Park Fee Fund by \$39,077, increasing expenditures from the Wildlife Fee Fund by \$25,982, and increasing expenditures from the Boating Fee Fund by \$13,095. No further expenditure of state funds is required.



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TO: Senator Dave Kerr, Chairperson, Committee on Ways and Means

FROM: Steven A. Williams, ^{SAW} Secretary of Wildlife and Parks

SUBJECT: Testimony on SB 277

DATE: February 25, 1997

Senate Bill No. 277 is new legislation which was originally recommended by the Legislative Post Auditor in audit report no. 94-44. That report stated the Kansas Department of Wildlife and Parks (KDWP) should request a fund in the State's central accounting system which would allow the KDWP to separate restricted and non-restricted funds. The report referred to restricted funds as those required by state and federal law to be used only for wildlife purposes. Non-restricted funds were receipts being deposited to the Wildlife Fee Fund which were not restricted to wildlife programs only. The report listed three types of receipts that were non-restricted: magazine sales, trapping licenses, and non-federal grants, gifts, and donations.

Pursuant to the recommendations of the Legislative Post Auditor, the 1995 Legislative Session introduced SB 387 to create the Wildlife and Parks Non-Restricted Fund. The bill was not passed by the 1995 Legislature and the Fund was created through an appropriation act. SB 387 was "carried over" to the 1996 Legislative Session and was passed by the Senate. The actions taken by the House of Representatives regarding SB 387 resulted in the bill being materially changed and the Senate referred the bill to the Committee on Ways and Means where it died at the end of the 1996 Legislative Session. The 1996 Legislative Session did provide for the Wildlife and Parks Non-Restricted Fund in 1996 SB 95.

The language in SB 277 provides that provides that monies not otherwise designated for deposit to a certain fund by deposited to the Wildlife and Parks Non-Restricted Fund. The KDWP has been depositing receipts from the sale of the Department magazine and other miscellaneous receipts to this fund. For FY 1996, deposits were \$156,345 from publication sales and \$11,466 from other sources. Expenditures from the fund are budgeted in the Executive Services Division of the KDWP to assist in costs associated with publication of the magazine. It should be noted that the Legislative Post Audit report referred to federal guidelines to determine sources of non-restricted income. The KDWP has interpreted the provisions of state law (KSA 32-828) to require that receipts from trapping be deposited to the Wildlife Fee Fund.

If you have any questions, please advise. Thank you for your support.

Senate Ways and Means Committee

Date 2-25-97

Attachment # 2

From: Dave Kerr (2/22/97)
To: Bev Probasco

[1]SB 277

2/22/97 12:24 PM

forwarded mail

Date: 2/22/97 12:26 PM
From: A.S. Tomb
Dear Senator Kerr:

I am concerned about SB 277 the way it is currently written. I was involved in the review of all statutes concerning the merger of the two agencies and I have a clear recollection of what was done.

I understand the need for this fund, but it should not be a mechanism for diverting (by smoke and mirrors) license fee dollars to the park system. The production of the magazine is mostly paid for by the wildlife fee fund. The subscriptions come from the public at large but do not cover the full cost of production. The expenditures from this fund should be proportional to the funds that paid for the production of the magazine. To do otherwise will be a diversion of funds according to state law. When the merger occurred we "boiler plated" in at every place we could that funds would not creep from one side to the other.

This bill needs to be amended to have the unrestricted fund spent proportionally and to have the expenditures reviewed each year by the Wildlife and Parks Commission.

Sincerely,

Spencer Tomb
VP Kansas Wildlife Federation

RFC-822 Header:

RECEIVED: from MAILHUB.CNS.KSU.EDU by mail.ksleg.state.ks.us ; 22 FEB 97 12:26:47 UT
Received: from mailhost.ksu.edu ([129.130.115.150]) by mailhub.cns.ksu.edu (8.7.6/8.7.3/mailhub) with SMTP id MAA18608; Sat, 22 Feb 1997 12:24:39 -0600 (CST)
Date: Sat, 22 Feb 1997 12:24:39 -0600 (CST)
Message-Id: <199702221824.MAA18608@mailhub.cns.ksu.edu>
X-Sender: astomb@pop.ksu.edu
X-Mailer: Windows Eudora Light Version 1.5.2
Mime-Version: 1.0
Content-Type: text/plain; charset="us-ascii"
To: sen dave kerr@mail.ksleg.state.ks.us
From: "A.S. Tomb" <astomb@ksu.edu>
Subject: SB 277
Cc: Swill1123@cjnetworks.com

Senate Ways and Means Committee

Date 2-25-97

Attachment # 3